

## Financial Terms and Ratio Definitions

### Total Revenue

The total amount of a company's sales and other sources of income; it is important to note that revenue is distinct from earnings or profits, which takes expenses into account.

### Total Equity

A firm's total assets minus its total liabilities. Equivalently, it is share capital plus retained earnings minus treasury shares (i.e. available worth to be liquidated before affecting debtors in bankruptcy).

### Return on Capital

Return on invested capital (ROIC) is a financial measure that quantifies how well a company generates cash flow relative to the capital it has invested in its business. It is defined as net operating profit less adjusted taxes divided by invested capital.

### Intangible Assets/Revenue

Measure of a company's ability to generate revenue from continuing operations. Ratio measures a company's assets not easily liquidated against total revenue.

### Gross Margin

A company's total sales revenue minus its cost of goods sold, divided by the total sales revenue, expressed as a percentage. The gross margin represents the profit margin from sales of products and services.

$$\text{Gross Margin} = \frac{\text{Revenue} - \text{Cost of Goods Sold}}{\text{Revenue}}$$

### EBITDA Interest Coverage

A measure of a company's available indirect cash from operations that can be used to pay interest expense. Also known as EBITDA Coverage, the ratio is calculated as follows:

$$\text{EBITDA Interest Coverage} = \frac{\text{EBITDA}}{\text{Interest Payments}}$$

**Net Debt to EBITDA**

A measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA.

$$\text{Net Debt to EBITDA} = \frac{\text{Debt} - (\text{Cash and Cash equivalents})}{\text{EBITDA}}$$

**Basic Defense Interval (BDI)**

The number of days a company can cover its obligations with available cash, cash equivalents and receivables.

$$\text{BDI} = \frac{(\text{Cash} + \text{Cash equivalents} + \text{Accounts Receivable})}{(\text{Operating Expenses} + \text{Interest Expenses} + \text{Income Tax})/365}$$

**Asset Turnover**

The amount of revenue generated per dollar of assets. The Asset Turnover ratio is an indicator of the efficiency with which a company is deploying its assets.

$$\text{Asset Turnover} = \frac{\text{Revenues}}{\text{Total Assets}}$$

**Payable/Receivable**

For a given billing cycle, measures how many times a company can pay its payables from receivables.

**Times Interest Earned**

Is an indicator of a company's ability to meet the interest payments on its debt, calculated by taking a company's earnings before interest and taxes (EBIT) and dividing it by the total interest payable on bonds and other contractual debt.

**Return on Assets**

An indicator of how profitable a company is relative to its total assets. Indicates how efficient the firm is using its assets to generate earnings. Calculated by dividing a company's Net Income by its Total Assets.

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

**Cash Flow from Operations/CAPEX**

A measure of a company's ability to finance future investment from continuing operations.

**EBITDA Margin (EBITDA/ Total Revenue)**

A measurement of a company's operating profitability. It is equal to earnings before interest, tax, depreciation and amortization (EBITDA) divided by total revenue.

**Total Debt/Average Daily Production Value**

Measures leverage against a company's daily ability to generate cash flow. Average daily production value means stabilized daily production times the average selling price over the same period.

**Total Debt/Proven Reserves Value**

Measures largest assets against debt. Indicates a company's capacity to take on more debt. Analogous to the calculation of a borrowing base.

**Total Debt/Capital**

An indicator of the company's financing structure. This ratio indicates the proportion of the company's capital that is financed by debt.

$$\text{Total Debt to Capital} = \frac{\text{Total Debt}}{\text{Total Debt} + \text{Equity}}$$

**Total Proved Reserves Value/Asset Retirement Obligation**

Measures the capacity to generate future cash flows against asset retirement obligations.

**Current Ratio**

A liquidity ratio that measures a company's ability to pay short-term obligations with current assets. Current Ratio formula is:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**Cash Flow from Operations/Current Liabilities**

A measure of a company's ability to generate cash to cover near term liabilities.